

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**APPAREL INPUTS IN “SHORT SUPPLY”: APPAREL OF FLANNEL FABRICS**  
Investigation No. 332-436-004

July 2002



# Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

## U.S. International Trade Commission Investigation No. 332-436-004

Products	Apparel of flannel fabrics
Requesting Party	Intradeco Corp., Miami, FL
Date of Commission Report: USTR PUBLIC	July 23, 2002 July 2002
Commission Contact	Cynthia Trainor (202-205-3354); <a href="mailto:trainor@usitc.gov">trainor@usitc.gov</a>

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR  
ON JULY 23, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN  
REMOVED AND REPLACED WITH ASTERISKS (\*\*\*)

### Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain cotton flannel fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of such fabrics,<sup>1</sup> U.S. apparel firms producing the apparel domestically, and their workers, but would likely benefit U.S. apparel firms producing the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

### Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).<sup>2</sup>

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on June 11, 2002, alleging that certain cotton, yarn-dyed flannel fabrics for use in apparel cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such

<sup>1</sup> U.S. producers of the subject fabric have vertical operations and produce their own yarn.

<sup>2</sup> For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at [www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm).

action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.<sup>3</sup>

### **Brief discussion of the product**

The flannel fabrics named in the petition are classified in subheading 5208.43.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics of cotton, containing 85 percent or more by weight of cotton, weighing not more than 200 grams per square meter, of yarns of different colors, and of the construction 3-thread or 4-thread twill, including cross twill. The subject fabrics are yarn-dyed, 100-percent cotton flannel fabrics, of construction 2X2 twill weave 64X54 (approximately 140 grams per square meter).<sup>4</sup> Garments made from flannel, a woven fabric having a soft, raised or fuzzy surface, are classified in HTS chapter 62 (apparel, not knitted or crocheted), and consist mostly of sleepwear, underwear, shirts, blouses, and trousers. The column 1 general rates of duty on such apparel range from 6.2 percent to 20 percent ad valorem. Cotton is comfortable because of its softness, moisture absorbency, air permeability, and pliability. Flannel is a fabric with unique nap characteristics which impart softness and warmth to the fabric.<sup>5</sup> Yarn-dyed flannel is generally made in short runs, is more durable than printed fabric, and provides a neater, cleaner pattern than printed flannel.

The HTS uses the metric system of weights and measures. HTS subheading 5208.43.00 of the petition states the subject fabric may not weigh more than 200 grams per square meter. The U.S. textile and apparel industries use the English system of weights and measures and provide fabric specifications in ounces per square yard. The English weights and measures cited in the report were converted to metric equivalents and are provided in parentheses immediately following specifications in the English system. Conversions used are as follows:

1 gram = 0.035 ounce  
1 meter = 39.37 inches

Yarn-dyed, 100-percent cotton flannel weighing over 200 grams per square meter (or 5.9 ounces per square yard) exceeds the weight stipulations of the petition and is classified under napped fabrics of HTS subheading 5209.43.00 and is not subject to the petition.

The petitioner, Intradeco Corp., Miami, FL (Intradeco), a manufacturer of knit fabrics in the United States and assembler of both knit and woven garments in El Salvador, states that it has made attempts to purchase yarn-dyed cotton flannel fabric from U.S. mills and converters, with no success. Intradeco requires one million linear yards (914,401.8 linear meters) of yarn-dyed, 100-percent cotton flannel to be supplied within four weeks from the time the fabric pattern and colors are approved by Intradeco's U.S. retail customers.<sup>6</sup>

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<sup>3</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> Conversion courtesy of Alan Tytleman, National Import Specialist, U.S. Customs Service, telephone interview by Commission staff, July 16, 2002. The fabric count (64X54) refers to the number of yarns per inch, or the closeness of the weave; that is, there are 64 yarns in 1 inch of the warp and 54 yarns in 1 inch of the filling. Warp yarns run lengthwise in the fabric and filling yarns run across the width of the fabric. A twill weave is often described in terms of the pattern of warp yarns crossing filling yarns; in a 2X2 weave, the first digit refers to the number of filling yarns crossed over by the warp and the second digit to the number of filling yarns the warp passes under before returning to cross the filling again. See Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th ed. (Upper Saddle River, NJ: Prentice-Hall, Inc., 1997), pp. 270, 271, and 276.

<sup>5</sup> Napping a fabric surface is accomplished by passing the fabric over cylinders on which there are fine metal wires with small hooks. The hooks pull fiber ends to the surface of the fabric and create the nap. Napping can be done on one or both sides of the fabric. In soft twill-weave fabrics such as flannel, it is the filling yarn that is designed for napping; warp yarns are kept strong to provide durability to the fabric. Fabrics with a napped surface are generally warmer than the same weight fabric without napping. The nap provides air pockets that increase the insulating properties of the fabric. See Marjory L. Joseph, *Essentials of Textiles*, 4<sup>th</sup> ed. (Holt, Rinehart, and Winston, Inc., 1988), p. 266.

<sup>6</sup> Petition received by CITA from Ronald Sorini, Sandler, Travis, & Rosenberg, LLC, Washington, DC, counsel for petitioner, June 10, 2002.

## Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector affected by the proposed preferential treatment are yarn spinners and dyers, fabric manufacturers, and apparel producers. According to a submission to the U.S. International Trade Commission by Dan River, Inc. (Dan River), Danville, VA, a fabric manufacturer, this firm produces a variety of yarn-dyed cotton flannel fabrics that are within the specifications cited in the petition.<sup>7</sup> The submission further states that yarn-dyed cotton flannel fabrics supplied by Dan River are being utilized in the categories of garments cited by petitioner.<sup>8</sup>

Dan River has a vertically integrated operation to spin fibers into yarn, dye the yarn, and weave the yarn into fabric. The firm states that it produces yarn-dyed, 100-percent cotton flannel \*\*\*<sup>9</sup> and that it has the capacity to produce approximately 250,000 yards (228,600 meters) per month of yarn-dyed, 100-percent cotton flannel, with capability to double this capacity to approximately 500,000 yards (457,200 meters) per month with reasonable notice. Dan River states that the lead time is approximately eight weeks from receipt of order to delivery of finished fabric.<sup>10</sup> Dan River further states \*\*\*.<sup>11</sup>

According to a submission to CITA by Wade Manufacturing Co. (Wade), Wadesboro, NC, a fabric manufacturer, the firm produces yarn-dyed, 100-percent cotton flannel subject fabric, \*\*\*.<sup>12</sup> Wade produces about \*\*\* per month of yarn-dyed, 100-percent cotton flannel with current production capacity to supply \*\*\* per month with a four-week lead time, and potential production capacity to weave approximately \*\*\* per month upon demand. Wade is a vertically integrated operation that spins cotton fiber into yarn, \*\*\*, and weaves the yarn into fabric. Wade states that \*\*\*.<sup>13</sup>

Other U.S. textile producers with the capability of producing the subject yarn-dyed cotton flannel were also identified and contacted.<sup>14</sup> \*\*\*.<sup>15</sup> \*\*\*.<sup>16</sup>

The apparel cut and sewn from the subject fabric is primarily men's and women's cotton sleepwear, underwear, men's shirts and trousers, and women's blouses and trousers. There are significant U.S. producers that manufacture apparel made from the subject yarn-dyed, 100-percent cotton flannel in the United States, although most production of apparel made from the subject fabric occurs off-shore. Apparel producers differ as to whether 100-percent cotton, yarn-dyed flannel is in short supply.

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<sup>7</sup> James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

<sup>8</sup> Ibid.

<sup>9</sup> James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., and Annette Baker, Dan River, Inc., telephone interviews by Commission staff, July 11 and 16, 2002, respectively.

<sup>10</sup> James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

<sup>11</sup> James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview with Commission staff, July 11, 2002.

<sup>12</sup> Bernard M. Hodges, President, Wade Manufacturing Co., written submission to CITA, July 12, 2002, and telephone interviews by Commission staff, July 15 and 18, 2002.

<sup>13</sup> Bernard M. Hodges, President, Wade Manufacturing Co., telephone interview by Commission staff, July 18, 2002.

<sup>14</sup> Charles Bremer, Director, International Trade, American Textile Manufacturers Institute, telephone interview by Commission staff, July 11, 2002.

<sup>15</sup> \*\*\*, telephone interview by Commission staff, July 11, 2002.

<sup>16</sup> \*\*\*, telephone interview by Commission staff, July 15, 2002.

Kellwood Co. (Kellwood), St. Louis, MO, a firm whose product lines include sportswear and intimate apparel, purchases U.S.-made, yarn-dyed, 100-percent cotton flannel \*\*\*.<sup>17</sup> Kellwood further states that \*\*\*.<sup>18</sup>

\*\*\*.<sup>19</sup>

\*\*\*, states that Dan River has the capability of and capacity for making yarn-dyed, 100-percent cotton flannel, \*\*\*.<sup>20</sup> \*\*\* states that no company has tried to show \*\*\* samples of or tried to sell it cotton flannel in the past 5 years.<sup>21</sup> \*\*\* states that it is unaware of any domestic producers of the subject fabric.<sup>22</sup>

## Views of interested parties

Statements filed with the Commission concerning this review include a letter from Dan River, which states it is a U.S. commercial manufacturer and seller of the subject fabric and requests the petition be denied.<sup>23</sup> In a letter to the Commission, Carolina Mills states \*\*\*<sup>24</sup> \*\*\*<sup>25</sup> \*\*\*.<sup>26</sup>

## Probable economic effect advice<sup>27</sup>

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible Caribbean Basin beneficiary countries from the subject fabrics, regardless of the source of the fabrics, would likely have some adverse effect on U.S. producers of the subject fabric and their workers.<sup>28</sup> Since such fabric producers tend to be vertically integrated, it does not appear that U.S. yarn producers would be adversely affected, however, some fabric producers outsource yarn dyeing, so there could be some adverse effect on yarn dyers. The expected increase in U.S. apparel imports made from the subject fabric would likely displace some domestic production of the subject fabric. The extent to which this displacement could occur depends on the reliability of sources of supply and any quality differences relative to price difference for U.S. firms using the imported fabric. Although information on the quality, price, and delivery time of imported fabric was not readily available, it is believed that differences between domestic and imported fabric are likely to be small \*\*\*. The proposed preferential treatment also would likely have some adverse effect on U.S. firms making garments domestically, and on their workers.

The proposed preferential treatment would likely benefit U.S. and other apparel firms making garments in CBTPA eligible countries from the subject fabrics, regardless of the source of the fabrics, by increasing the supply of "eligible" fabrics and of lower priced fabrics. U.S. consumers of apparel made from the subject fabrics would benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive flannel garment market.

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<sup>17</sup> Wendy Wieland Martin, Director, Trade Services, Kellwood, written submission to CITA, June 26, 2002, telephone interview by Commission staff, July 10, 2002. \*\*\* , telephone interview by Commission staff, July 15, 2002.

<sup>18</sup> \*\*\* , Kellwood, telephone interview by Commission staff, July 16, 2002.

<sup>19</sup> \*\*\* , telephone interviews by Commission staff, July 15 and 16, 2002.

<sup>20</sup> \*\*\* , telephone interview by Commission staff, July 15, 2002.

<sup>21</sup> \*\*\* , telephone interview by Commission staff, July 11, 2002.

<sup>22</sup> \*\*\* , e-mail to Commission staff, July 12, 2002.

<sup>23</sup> James E. Martin, President, Apparel Fabrics Division, Dan River, Inc., written submission to the U.S. International Trade Commission, July 2, 2002.

<sup>24</sup> Daniel Sullivan, General Manager, Carolina Mills, Inc., written submission to the U.S. International Trade Commission, July 12, 2002.

<sup>25</sup> \*\*\*

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<sup>27</sup> The Commission's advice is based on information currently available to the Commission.

<sup>28</sup> U.S. producers of the subject fabric have vertical operations and produce their own yarn.